

## EXECUTIVE SUMMARY

Idaho's economy is expected to prosper over the forecast period, but not as much as had been previously predicted. In April 2007, it was anticipated nonfarm employment would expand at a 2.4% annual clip over the 2007-2010 period. Idaho nonfarm employment advances at a 2.3% yearly pace over the same period in the July 2007 forecast. Likewise, Idaho personal income is down from its previous pace. Idaho nominal personal income is slated to average 6.3% over the forecast horizon, which is down slightly from the 6.5% pace that was forecasted in April 2007. The major difference between the two forecasts is the current forecast includes the impact of Micron Technology's restructuring, while the previous forecast did not include it. This summer Micron Technology announced it was immediately reducing its 11,000-person Idaho work force by 10%. The company also plans to reduce its payroll by another 5% later this summer. Taking this reduction into consideration, this sector's employment is now forecast to dip to 14,937 jobs in 2010, which is about 1,700 lower than its 2006 level. It should be pointed out that Micron's reduction will have a ripple effect on the economy. A reasonable estimate is that for every job lost at Micron, another one will be lost somewhere else in the economy. It should also be noted that while the Micron Technology restructuring will dampen future employment growth, it will not stop it. Idaho nonfarm employment is forecast to rise from 638,902 jobs in 2006 to 698,348 jobs in 2010. Idaho nominal personal income growth is projected to slow to about 5.6% in 2007 and 2008, but accelerate slightly thereafter. Idaho real personal income is forecast to display a similar pattern.

Real GDP, the broadest measure of economic performance, eked out just 0.7% growth at the beginning of this year. This disappointing showing has divided economists into two major camps. The pessimistic camp believes the economy's first quarter performance was just a taste of things to come. The optimistic camp believes real GDP growth will quickly bounce back from its trough and soon expand more rapidly. While there are risks to the economy, their impacts may be overstated. First, the increased market volatility since late February has led some to predict an impending credit crunch. But major stock indexes have bounced back recently and are near historic highs. Second, subprime mortgage problems seem to be contained. Third, the threat to consumer spending by rising oil and gasoline prices will be dampened by the positive impact of continuing job growth and decent real wage increases. Fourth, consumer debt, while high, is not a serious constraint on spending. Fifth, the current account deficit is smaller than had been thought. Sixth, some analysts fear foreign central banks will dump their dollar holdings, which would lead to a spike in long-term interest rates. This action seems unlikely. Despite constant hand wringing, the share of dollar assets held as reserves by central banks has been stable for the last three years. Most importantly, central banks are not interested in triggering a sharp rise in U.S. interest rates and a sharp drop in the dollar. Given these reasons, the current Global Insight macroeconomic forecast treats the first quarter slump as an anomaly. Real GDP is projected to increase at a 3.2% annual pace in the second quarter of 2007. The quick turnaround from the first quarter slump does not guarantee robust future growth. In fact, although the economy is forecast to expand both this year and next, its projected growth is below its potential. Real GDP growth is anticipated to breach 3.0% in 2009 then slip back to 2.8% in 2010. While the economy is not expected to perform as strongly as it did in recent years, it should out perform the predictions of the pessimistic camp.

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
JULY 2007**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>U.S. GDP (BILLIONS)</b>												
Current \$	9,268	9,817	10,128	10,470	10,961	11,712	12,456	13,247	13,860	14,523	15,287	16,036
% Ch	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%	6.3%	4.6%	4.8%	5.3%	4.9%
2000 Chain-Weighted	9,470	9,817	9,891	10,049	10,301	10,704	11,049	11,415	11,657	11,981	12,363	12,715
% Ch	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.3%	2.1%	2.8%	3.2%	2.8%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	29,068	31,290	33,054	33,849	34,816	38,229	40,706	44,176	46,699	49,317	52,561	56,459
% Ch	6.5%	7.6%	5.6%	2.4%	2.9%	9.8%	6.5%	8.5%	5.7%	5.6%	6.6%	7.4%
Idaho Nonfarm (Millions)	28,054	30,448	32,039	32,921	34,099	37,085	39,768	43,265	45,765	48,273	51,456	55,296
% Ch	6.5%	8.5%	5.2%	2.8%	3.6%	8.8%	7.2%	8.8%	5.8%	5.5%	6.6%	7.5%
U.S. (Billions)	7,802	8,430	8,724	8,882	9,164	9,731	10,239	10,891	11,544	12,166	12,875	13,612
% Ch	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	6.4%	6.0%	5.4%	5.8%	5.7%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	29,788	31,289	32,376	32,690	32,970	35,272	36,507	38,560	39,895	41,387	43,292	45,653
% Ch	4.8%	5.0%	3.5%	1.0%	0.9%	7.0%	3.5%	5.6%	3.5%	3.7%	4.6%	5.5%
Idaho Nonfarm (Millions)	28,748	30,447	31,382	31,795	32,290	34,216	35,665	37,765	39,096	40,512	42,382	44,712
% Ch	4.7%	5.9%	3.1%	1.3%	1.6%	6.0%	4.2%	5.9%	3.5%	3.6%	4.6%	5.5%
U.S. (Billions)	7,996	8,429	8,545	8,578	8,678	8,979	9,183	9,507	9,862	10,210	10,605	11,007
% Ch	3.4%	5.4%	1.4%	0.4%	1.2%	3.5%	2.3%	3.5%	3.7%	3.5%	3.9%	3.8%
<b>HOUSING STARTS</b>												
Idaho	10,346	11,486	12,204	13,229	16,365	18,572	23,249	19,369	16,073	16,608	17,350	18,311
% Ch	2.2%	11.0%	6.2%	8.4%	23.7%	13.5%	25.2%	-16.7%	-17.0%	3.3%	4.5%	5.5%
U.S. (Millions)	1,647	1,573	1,601	1,710	1,854	1,950	2,073	1,812	1,396	1,429	1,636	1,696
% Ch	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-23.0%	2.4%	14.5%	3.7%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	538,100	558,580	568,034	568,043	572,545	588,058	611,715	638,902	654,112	662,943	677,691	698,348
% Ch	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.4%	1.3%	2.2%	3.0%
U.S. (Thousands)	128,992	131,792	131,832	130,347	129,990	131,423	133,696	136,175	137,987	139,541	141,572	143,456
% Ch	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.9%	1.3%	1.1%	1.5%	1.3%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.3%	5.3%	5.3%	5.3%
Bank Prime	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.3%	8.3%	8.3%	8.3%
Existing Home Mortgage	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.6%	6.9%	7.1%	7.2%
<b>INFLATION</b>												
GDP Price Deflator	1.4%	2.2%	2.4%	1.7%	2.1%	2.8%	3.0%	2.9%	2.4%	1.9%	2.0%	2.0%
Personal Cons Deflator	1.7%	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.7%	2.2%	1.8%	1.9%	1.9%
Consumer Price Index	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.5%	1.8%	1.9%	1.8%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the SECOND Quarter of 2007**

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
JULY 2007**

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>U.S. GDP (BILLIONS)</b>												
Current \$	13,620	13,809	13,930	14,080	14,253	14,426	14,614	14,799	14,998	15,194	15,386	15,570
% Ch	4.9%	5.7%	3.5%	4.4%	5.0%	4.9%	5.3%	5.2%	5.5%	5.3%	5.2%	4.9%
2000 Chain-Weighted	11,533	11,624	11,697	11,774	11,848	11,929	12,026	12,121	12,217	12,319	12,414	12,503
% Ch	0.7%	3.2%	2.5%	2.6%	2.6%	2.8%	3.3%	3.2%	3.2%	3.4%	3.1%	2.9%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	46,169	46,214	46,872	47,542	48,291	48,971	49,622	50,383	51,198	52,093	53,001	53,952
% Ch	4.6%	0.4%	5.8%	5.8%	6.4%	5.8%	5.4%	6.3%	6.6%	7.2%	7.2%	7.4%
Idaho Nonfarm (Millions)	45,330	45,273	45,898	46,557	47,229	47,926	48,592	49,347	50,124	50,992	51,887	52,822
% Ch	6.3%	-0.5%	5.6%	5.9%	5.9%	6.0%	5.7%	6.4%	6.5%	7.1%	7.2%	7.4%
U.S. (Billions)	11,353	11,457	11,607	11,760	11,925	12,084	12,242	12,413	12,597	12,785	12,967	13,152
% Ch	9.6%	3.7%	5.3%	5.4%	5.7%	5.4%	5.3%	5.7%	6.1%	6.1%	5.8%	5.8%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	39,816	39,450	39,927	40,386	40,824	41,204	41,541	41,980	42,461	43,014	43,557	44,135
% Ch	1.1%	-3.6%	4.9%	4.7%	4.4%	3.8%	3.3%	4.3%	4.7%	5.3%	5.1%	5.4%
Idaho Nonfarm (Millions)	39,093	38,647	39,097	39,549	39,926	40,324	40,679	41,117	41,570	42,105	42,641	43,211
% Ch	2.7%	-4.5%	4.7%	4.7%	3.9%	4.0%	3.6%	4.4%	4.5%	5.2%	5.2%	5.5%
U.S. (Billions)	9,791	9,781	9,887	9,990	10,081	10,168	10,249	10,343	10,447	10,556	10,656	10,759
% Ch	5.9%	-0.4%	4.4%	4.2%	3.7%	3.5%	3.2%	3.7%	4.1%	4.2%	3.8%	3.9%
<b>HOUSING STARTS</b>												
Idaho	16,516	16,011	15,954	15,813	16,384	16,508	17,045	16,494	15,168	17,948	18,462	17,821
% Ch	44.7%	-11.7%	-1.4%	-3.5%	15.2%	3.1%	13.6%	-12.3%	-28.5%	96.0%	12.0%	-13.2%
U.S. (Millions)	1,460	1,469	1,342	1,311	1,295	1,403	1,480	1,536	1,581	1,620	1,658	1,685
% Ch	-22.1%	2.4%	-30.3%	-9.1%	-4.8%	38.1%	23.8%	16.0%	12.1%	10.2%	9.8%	6.6%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	652,217	653,044	654,850	656,338	658,552	661,332	664,408	667,478	670,376	675,100	680,181	685,107
% Ch	4.4%	0.5%	1.1%	0.9%	1.4%	1.7%	1.9%	1.9%	1.7%	2.8%	3.0%	2.9%
U.S. (Thousands)	137,447	137,825	138,167	138,510	138,865	139,288	139,759	140,252	140,776	141,314	141,847	142,351
% Ch	1.5%	1.1%	1.0%	1.0%	1.0%	1.2%	1.4%	1.4%	1.5%	1.5%	1.5%	1.4%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Bank Prime	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Existing Home Mortgage	6.4%	6.5%	6.7%	6.8%	6.8%	6.9%	6.9%	7.0%	7.1%	7.1%	7.1%	7.1%
<b>INFLATION</b>												
GDP Price Deflator	4.2%	2.3%	1.0%	1.7%	2.4%	2.1%	2.0%	1.9%	2.2%	1.9%	2.0%	1.9%
Personal Cons Deflator	3.5%	4.2%	0.9%	1.1%	2.0%	1.9%	2.0%	1.9%	1.9%	1.8%	1.9%	1.8%
Consumer Price Index	3.8%	5.9%	0.5%	0.8%	2.0%	1.9%	2.1%	1.9%	1.9%	1.7%	1.9%	1.8%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the SECOND Quarter of 2007**